

**AFTER TAX RETURN ANALYSIS - BUY AND HOLD DIVIDEND
STOCKS VS MARKET TIMING**

**For retirement investors, an equity buy and hold strategy produces 3.1%
greater returns after tax than a short term trading strategy that produces
the same annual pre-tax profits**

	Scenario		
	Buy & Hold (1)	Market Timing (2)	Market Timing (3)
Income			
Dividend yield	1.95%	1.00%	1.00%
Interest income	0.00%	0.25%	0.25%
Realized ST gains	0.00%	9.20%	14.97%
Realized LT gains	2.05%	0.00%	0.00%
Unrealized gains	6.20%	0.00%	0.00%
Total return	10.20%	10.45%	16.22%
Taxes			
Dividends	0.60%	0.31%	0.31%
Interest income	0.00%	0.11%	0.11%
Realized ST gains	0.00%	4.20%	6.83%
Realized LT gains	0.63%	0.00%	0.00%
Unrealized gains	0.00%	0.00%	0.00%
Total	1.23%	4.62%	7.25%
After Tax Returns			
Dividends	1.35%	0.69%	0.69%
Interest income	0.00%	0.14%	0.14%
Realized ST gains	0.00%	5.00%	8.14%
Realized LT gains	1.42%	0.00%	0.00%
Unrealized gains	6.20%	0.00%	0.00%
Net after tax return	8.97%	5.83%	8.97%
Excess to Market Timing (2)	3.14%		
Excess profit required in short-term trading strategy to create after tax returns equal to buy and hold strategy			5.77%

Notes:

Taxes: assumes a married NYS investor with \$500K taxable income

	Tax Rate Interest Income & Short-term Capital Gains	Tax Rate Long-term Capital Gains & Qualified Dividends	Tax Rate on Unrealized Gains
NYS	6.85%	6.85%	0.00%
Federal	35.00%	20.00%	0.00%
Obamacare	3.80%	3.80%	0.00%
Total	45.65%	30.65%	0.00%

(1) Assumes the S&P 500 recent dividend yield of 1.95% and LT gains of 2.05% realized per year (amount required to fund a reasonable retirement withdrawal rate of 4% per year) and the remainder of unrealized gains deferred. Total expected return of 10.2% equals the long term US equity average return.

(2) Market timing portfolio, assume achieve the same 10.2% average annual US equity returns, 9.2% short term gains and 1% dividend (assuming hold portfolio yielding 1.95% for approximately half the year). Return on cash is .5% per year (assuming held for the other half of the year).

(3) This scenario has the same assumptions as (2), except short term gains have been adjusted up to make after tax returns equal to the buy and hold strategy.